

May 17, 2005

To: Honorable Members of the House Committee

From: Kathryn McCaw, Federal Grain Inspector, Portland, Oregon

Being a Federal Grain Inspector for over 26 years, I am presenting the views of the most basic level stakeholder in this Reauthorization issue.

In 1975, even though federal oversight *was already in place*, widespread corruption and an ensuing series of grain scandals inspired the creation of the United States Grain Standards Act. Corruption had helped to destroy our country's ability to compete in the world trade of agricultural goods. Direct federal inspection and weighing was implemented to correct and to prevent any future fraudulent schemes to misrepresent the quality and quantity of US grain exports.

With the formation of the Federal Grain Inspection Service came a global marketing tool based on the United States Grain Standards Act, test services, and extensive inspection training, monitors and quality controls. With direct Federal control placed over inspection, weighing and testing processes, confidence of our foreign buyers and choice to purchase US Agricultural goods were renewed and our positive position in the world market restored. Today, Federal Grain Inspection still forms the cornerstone of US Agriculture sales in the global market, guaranteeing integrity, quality and trust in the United States as a valued trading partner.

We are here questioning the success and viability of our Inspection system, not because of quality or market scandals or foreign mistrust: the only true issue that brings us here is costs. How we react to correct those cost problems will certainly maintain or destroy our integrity and our respect in the world market and our ability to sell American Agriculture. Changing the Grain Standards Act to return to privatization, basing our integrity on third-party inspection services is NAEGA's proposal here. Reopening the door to questions of conflict and the appearance of collusion, loss of trust and respect for our products is the first risk in privatization.

How will the international market react upon learning that official federal inspection and weighing certificates are being used as a front for integrity for privatization? GIPSA-issued federal weight and inspection certificates no longer based on federal weighing and inspection personnel will not signal integrity or inspire trust in our products. The lack of any contingency plan to deal with foreign backlash and possible rejection of the privatization concept leaves our Government and our country's agricultural industry with no escape hatch, no corrective tools to restore our current success in the market. That privatization creates this grave risk *is a given*. The question that begs careful and focused consideration: do we have to place our farm and grain industries in harm's way just to correct a money issue? Is this our best choice, or even our only choice? **IS THE RISK A NECESSITY?**

In any business, a reputation of excellence takes years to achieve, and it has been the guarantee of highly qualified people within our federal inspection service that sells the assurance of quality, not a USDA label.

Our hourly fees are too high and they burden our grain traders. Privatization of the (lowest paid) field employees will not significantly reduce costs. Reduction of national overhead costs is not a part of the proposed privatization plan. A comparison of the current Fair Act A-76 list against the current staffing list for Agency overhead shows that all agency upper level positions (highest cost) have been exempted from privatization.

Our current fee schedule mandates that tonnage fees cover national overhead costs, while hourly fees are charged for federal personnel in the field. Tonnage fees have never covered these national costs. Moneys have always been shifted from the hourly fees to make up for the shortfall. Elimination of field inspectors and technicians means elimination of the fees they generate; the budget shortfall for national overhead will be an immediate problem for privatization, correctible only by an increase of other fees.

The Federal Grain Inspection service must make changes to address our high costs to the Grain industry. Until structural changes are made to correct our problems within to reduce national overhead costs, privatization **cannot** provide true relief to America's farmers and exporters.

With no real cost savings in the offing, possible endangerment of the United States' position in the global market, and long-term damage to American agriculture is not a viable risk to consider.

Thank you for giving me this opportunity to express the views of Federal Grain Inspection personnel in the field.